

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 063623  
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15  
NSC-05 /053 R

DRAFTED BY EB/OA/AVP:AJWHITE:SP  
APPROVED BY EB/OA/AVP:AJWHITE  
CAB:FMURPHY  
EUR/WE:EBEIGEL  
-----230538Z 049209 /21  
R 222218Z MAR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MADRID

LIMITED OFFICIAL USE STATE 063623

E.O. 11652: N/A

TAGS: EAIR, SP

SUBJECT: US-SPANISH CONSULTATIONS ON FARES, MARCH 14-  
17, 1977

SUMMARY. CONSULTATIONS CONCLUDED MARCH 17 AFTER SIX  
SESSIONS. AGREEMENT REACHED ON INDIVIDUAL APEX AND TWO GIT  
FARES WHICH CAB HAD SUSPENDED. NO AGREEMENT REACHED ON  
GROUP FARES; SPANISH WERE NOT INTERESTED IN AFFINITY FARE  
AT ANY LEVELS AND COULD NOT PROVIDE ASSURANCES THAT APEX  
GROUP FARES THEY PROPOSED IN COURSE OF TALKS WOULD NOT  
SPREAD BEYOND IBERIAN PENINSULA. SPANISH RECOGNIZED THAT  
LOW BULK FARES THEY HAD FILED (BTGC'S) WERE TANTAMOUNT TO  
PART CHARTER FARES NOW SUBJECT TO EXTENSIVE CAB PROCEEDINGS  
AND THUS NOT ACCEPTABLE TO US AT THIS TIME. THEY MADE IT  
CLEAR THAT THEY WILL PERSUE GROUP FARES WITH US AT A LATER  
TIME AND WILL MEANWHILE BE WAITING FOR OUTCOME OF CAB  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 063623

INVESTIGATION OF PART-CHARTER FARE CONCEPTS. END SUMMARY

1. SPANISH LED OFF WITH EXTENSIVE RATIONALE AND JUSTIFICA-  
TION FOR FARES FILED BUT SUSPENDED BY CAB: ECONOMY, APEX,  
TWO GIT'S, AND NEW BULK FARES AT NEAR-CHARTER LEVELS. WE

EXPLAINED BASIS ON WHICH THESE FARES HAD BEEN SUSPENDED

AND REMINDED SPANISH THAT IN LAST YEAR'S CONSULTATIONS WE HAD GIVEN EXTENSIVE EXPLANATION OF US VIEWS ON GENERAL FARE STRUCTURE, NEED TO RELATE FARES TO COSTS AND TO NARROW SPREAD BETWEEN NORMAL AND PROMOTIONAL FARES, AND US CONCERN THAT NORMAL ECONOMY PASSENGER SHOULD NOT IN EFFECT SUBSIDIZE LOW-COST PROMOTIONAL FARES BY PAYING MORE THAN FAIR SHARE OF COSTS, ETC. HENCE BOARD'S REFUSAL TO ACCEPT INCREASE IN NORMAL ECONOMY FARES, AND TO INSIST ON APPROPRIATE INCREASES IN APEX AND GIT FARES SHOULD HAVE BEEN NO SURPRISE.

2. RE NEW BULK FARE PROPOSALS, WE EXPLAINED THAT THESE FARES AMOUNTED TO PART-CHARTER FARES AND WERE IN ANY CASE SO LOW IN RELATION TO COSTS AS TO BE UNACCEPTABLE. WE POINTED OUT THAT PART-CHARTER FARE CONCEPT WAS NOW THE SUBJECT OF SEVERAL EXTENSIVE INVESTIGATIONS BY THE CAB AND THAT PENDING THE OUTCOME OF THESE PROCEEDINGS US AUTHORITIES WERE IN NO POSITION TO ACCEPT SUCH FARE PROPOSALS REGARDLESS OF LEVEL. WE DID OFFER TO CONSIDER SOME FLEXIBILITY RE INDIVIDUAL APEX FARE AND ALSO OFFERED LAST YEAR'S AFFINITY FARES WITH MINIMAL INCREASES OR ALTERNATELY A NON-AFFINITY FARE AT LEVEL OF 22-45 DAY EXCURSION FARES (WHICH TAP HAD ACCEPTED) SPANISH REJECTED NON-AFFINITY FARE OFFER OUT OF HAND.

3. AFTER THREE SESSIONS SPANISH FINALLY RECOGNIZED THAT BECAUSE OF CURRENT CAB INVESTIGATION OF PART-CHARTER TYPE FARE PROPOSALS, CAB WAS IN NO POSITION AT THIS TIME TO ACCEPT SUCH A FARE AT ANY LEVEL. THEY COUNTERED WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 063623

PROPOSAL FOR GROUP APEX FARES AT 20 DISCOUNT FROM THEIR ORIGINAL INDIVIDUAL APEX FILING. WE AGREED TO CONSIDER A GROUP APEX (OVER CONSIDERABLE OPPOSITION FROM US CARRIERS) PROVIDED LEVEL WAS ACCEPTABLE AND PROVIDED WE COULD HAVE ASSURANCES THAT FARE WOULD NOT SPREAD FROM IBERIAN MARKET. THEY ALSO OFFERED COMPROMISE LEVELS FOR GIT'S.

4. SPANISH REJECTED OFFER OF AFFINITY FARE, SAYING THEY WOULD NOT OFFER IT TO PUBLIC, AND THAT AGENTS, BECAUSE OF ENFORCEMENT PROBLEMS, WOULD REFUSE TO SELL IT AT ANY LEVELS.

5. FINAL US OFFER WAS FOLLOWING: GROUP APEX AT LEVEL OF LAST YEAR'S AFFINITY, EXCEPT FOR NOMINAL INCREASE IN BASIC FARE; GIT FARES AT COMPROMISE LEVELS SUGGESTED BY SPANISH, WITH INDIVIDUAL APEX AT PARIS LEVELS, THIS

PACKAGE SUBJECT TO PROVISIO THAT SPANISH WOULD ENSURE THAT

GROUP APEX WOULD NOT SPREAD TO OTHER MARKETS OR, IF IT DID, THAT SPANISH WOULD WITHDRAW FARE WITHIN 30 DAYS, OF FIRST ATTEMPT TO OFFER SIMILAR FARE IN NON-IBERIAN MARKETS. IF FARE HAD TO BE WITHDRAWN, US WOULD THEN ACCEPT INDIVIDUAL APEX AT LEVEL SPANISH HAD PROPOSED AND WHICH BOARD HAD SUSPENDED.

6. SPANISH REPLIED THAT THEY COULD NOT ACCEPT US CONDITIONS FOR GROUP APEX FARE, BUT THAT THEY WOULD ACCEPT ALTERNATIVE US PROPOSAL: INDIVIDUAL APEX WITH PEAK OF PEAK SURCHARGE AT PRECISELY SAME LEVELS AS ORIGINALLY FILED; GIT FARES AT COMPROMISE LEVELS (ACCEPTANCE OF NORMAL ECONOMY FARE AT WHATEVER LEVEL CAB ACCEPTS FOR IATA (BOARD WILL NOT ACCEPT INCREASE IN THIS FARE). SPANISH ALSO REQUESTED THAT FOR APEX FARE, THE CAPACITY LIMITATION BE INCREASED FROM THE PRESENT 25 TO 33 OF AVAILABLE SEATS. IN FINAL EFFORT TO REACH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 063623

AGREEMENT, US ACCEPTED CAPACITY INCREASE, AND CONSULTATIONS CONCLUDED.

COMMENT: SPANISH GOT SIGNIFICANT CONCESSION ON INDIVIDUAL APEX: THAT IS, SAME FARE THEY ORIGINALLY FILED WITH CONSIDERABLE INCREASE IN CAPACITY CEILING, AS WELL AS COMPROMISES ON THE GIT'S THEY THEMSELVES PROPOSED. BECAUSE OF THEIR REFUSAL TO ACCEPT AFFINITY FARE AT ANY LEVEL OR NON-AFFINITY OFFER, AS WELL AS INABILITY TO AGREE ON ACCEPTABLE FORMULA FOR GROUPS APEX, SPANISH ARE LEFT WITHOUT A GROUP FARE IN MARKET WHICH IS HEAVILY DEPENDENT ON TOURIST TRAFFIC AND CHARTER COMPETITION. THEY MADE IT CLEAR THAT THEY WILL BE WATCHING FOR RESULTS OF CAB INVESTIGATION OF PART-CHARTER TYPE FARES AND 'ILL BE REQUESTING GROUP FARES OF SOME KIND AT A LATER TIME.

VANCE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DIPLOMATIC DISCUSSIONS, AVIATION AGREEMENTS, AIR FARES, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 22-Mar-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE063623  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** AJWHITE:SP  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770098-1052  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770334/aaaabdbu.tel  
**Line Count:** 156  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 80da34b4-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 09-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3031968  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** US-SPANISH CONSULTATIONS ON FARES, MARCH 14- 17, 1977 SUMMARY. CONSULTATIONS CONCLUDED MARCH 17 AFTER S  
**TAGS:** EAIR, SP, US  
**To:** MADRID  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/80da34b4-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009